Similarly, in assessing interest on money lent, only the amount actually received and not the interest which accrued in any one year should be taken into account.

In conclusion, the member advocated the appointment of an Income Tax Board for each municipal town in the State where assessees mostly lived and the transfer of the Collectors' duties in respect of those towns to the boards. The members of the board should, besides being scrupulously honest, be also income tax assessees and persons well versed in mercantile accounts. The member was sure that, if such boards were constituted, many of the grievances now experienced by the assessees would vanish.

DEWAN'S REPLY : Mr. Khadir Makkar, I have no doubt you feel a real grievance about income tax. We all do the same. Nobody likes to pay income tax. We have all got to pay it. As regards the mode of assessment, possibly, there is something in what you say since the Tahsildars are such hard-worked officials that they cannot reasonably be expected to devote their personal care and attention to assessments, which is really necessary if they are to be accurate. I have felt so much the need for improving the assessing agencies that I have under consideration at the present moment certain proposals which the Land Revenue Commissioner, the Financial Secretary and the Chief Secretary have together drawn up for effecting some improvement in the agency, and I hope to take up the matter before long.

As for the Income Tax Board, I do not think it is feasible. For one thing, you will find it much easier to deal with one individual than with several. If it is one individual, you will have to please only one. But when you go to a board, you have to convince 3 or 4 or 5 and you know well all are not always of the same opinion.

15. Hardships caused to the merchants on account of the working of the Income Tax Regulation.

MR. OUSEPH OUSEPH (*Member, Trading Classes, Changanachery*) spoke about the evils attendant on the working of the Income Tax Regulation. Referring to the examination of the accounts produced by the merchants, he said that while the accounts were accepted and acted upon by the civil courts, the Income Tax Collectors and the clerks under them, who were entrusted with the duty of examining the accounts, generally disbelieved them and refused to accept them, unless they were pleased with presents by the assessees. If the accounts were, in any instance, proved to be false, a proper course would be to start criminal proceedings against the persons concerned and not to reject all accounts summarily. In the circumstances, the member's first prayer was that instructions should be issued to the authorities concerned not to discard arbitrarily the accounts produced by the merchants as unreliable.

He next referred to the impropriety of fixing the taxable income of a person at a certain percentage of the gross receipts. The percentages were fixed by the subordinates of the Collectors' offices on the basis of the turnover of the businesses of the assessees, but without any regard to the actual expenditure incurred by the assessees in earning the profits. Very often the Collectors approved the percentages so fixed. It was indeed very hard. In many cases, though the turnover was good, the business transactions might have resulted in loss to the trader. Such arbitrary assessments should be stopped. He suggested also that, in cases where arbitrary assessments were made and the parties obtained relief in the appellate courts, the Collectors concerned should be asked to compensate the parties for the loss incurred by them in preferring appeals. Such a rule would make the Collectors more responsible in their work. Instructions should also be issued to stop the vagaries of the subordinates in the Collectors' offices.

The third point touched upon by the member was about the indefiniteness of the term "other sources". The total incomes of merchants were arbitrarily fixed and portions of them for which details were not available were classed under "other sources". There was absolutely no basis for fixing the amounts under that head. That practice should be put an end to.

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Another source of hardship was the insistence on vouchers for all items of expenditure. It was not practicable to obtain vouchers for such items of expenditure as transportation charges, travelling allowances to persons travelling on business, commissions, etc. Although this fact was known to all, the Income Tax authorities alone ignored it. Entries regarding such items of expenditure in the account books were dismissed as unreliable. That led to the assessees producing false vouchers against their will. In view to remove the hardship, the member prayed that the rule insisting on the production of vouchers should be relaxed at least in favour of honest traders of some status.

Lastly, he urged the necessity for the inspection of the account books of merchants at the places of their business. The merchants of Changanachery had to take their account books to Kottayam for inspection. At times they were unable to produce the books on the prescribed dates and at other times the examination was postponed. Failure to produce the books when called upon to do so entailed an arbitrary assessment by the Collectors. The system was very inconvenient to the traders. Orders should be issued for the inspection of accounts being invariably conducted at the place of residence of the merchants.

DEWAN'S REPLY: Mr. Ouseph Ouseph, identical representations were made at the last session of the Assembly; and I have nothing to add to the replies then given and the orders referred to in the Statement of Action.

MEMBER: An application for adjournment costs eight annas. The accounts are not believed by the Income Tax authorities even though the High Court accepts them as correct. It would even be better if each trader is assessed for an arbitrary amount.

DEWAN: You will not deny that there are merchants whose accounts are not reliable.

MEMBER: They should be found out and prosecuted.

DEWAN: How can they be found out ?

MEMBER: Capable officers should be appointed.

DEWAN: Unless the account books of all merchants are examined, it is not possible to find out those who seek to evade assessment.

16. Disafforestation of Lands.

MR. VARKI ABRAHAM (*Member, Muvattupuzha taluk*) said that nearly a third of the whole area of the State was set apart as reserved forests. Travancore was mainly an agricultural country and agriculture the mainstay of the people. On an average, each head of population had only three quarters of an acre of arable land. In spite of this, and of the ever-increasing population, the Government were not pursuing any settled policy towards increasing the extent of arable land, but were on the contrary extending the area under reservation. The majority of the people had no capital to start industrial businesses; nor were the Government in a position to encourage local industries by imposing high rates of import duty on foreign goods. It was also impracticable to increase the productivity of the existing extent of arable land, as the Agricultural Department had not achieved any tangible results in that direction by its operations during the past 18 years. The only other possible method of increasing the output of paddy in the State was therefore the extension of the area of arable land. That could be done by strenuously following a policy of disafforestation. Excepting mountainous regions and tablelands, all other lands in the State should be made available for cultivation, and registered in small blocks of 5 acres each to families having no landed property. For Pulayas, Parayas and members of other depressed classes, one acre each might be given without payment of *taravila*. That would solve, to some extent at least, the problem of unemployment in the State. He pointed out also that the possible decrease in the forest revenue resulting from such disafforestation would be more than compensated by the *taravila* and recurring revenue in the shape of land tax.

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